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ABSTRACT

While billions of dollars of financial aid is made available from federal and state governments annually, little of this is available to the distance learner. Financial aid mechanisms often limit aid for students who are not of traditional age, full-time, or learning on-campus. This report outlines and defines the problem of financial aid for distance education, traces the historical record of aid programs, describes real barriers for distance learners, and suggests alternative strategies that policymakers at the federal, state, and institutional levels might consider to address financial aid issues. Also discussed are a number of alternative state approaches that might serve as models for other states. Finally, a regional financial aid "clearinghouse" concept is proposed and described in some detail. Six principles of financial aid to support distance learners are presented that guide nine recommendations for increased financial assistance to part-time distance learners. These call for greater flexibility, changes in existing statutes, new policies and initiatives, and the inclusion in the reauthorization of the Higher Education Act of provisions for distance learners. Appendixes list some distance education consortia in the Southern Regional Education Board Area and outline the structure and elements of a regional clearinghouse. (SLD)

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Distance Learning Policy Laboratory

ED 481 864

Creating Financial Aid Programs That Work for Distance Learners

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Creating Financial Aid Programs That Work for Distance Learners

September 2002

A report by the Distance Learning Policy Laboratory Financial Aid Subcommittee

A Report and Recommendations in a Series on Distance Learning Policy Issues

About the Southern Regional Education Board Distance Learning Policy Laboratory

At its June 1999, meeting, the Southern Regional Education Board approved the establishment of the SREB Distance Learning Policy Laboratory. Building upon the work of the Educational Technology Cooperative and the *Electronic Campus*, the Policy Laboratory seeks to reduce or eliminate existing or potential policy barriers to distance learning activities in three broad areas: ***access, quality*** and ***cost***. The Policy Laboratory's main objectives are:

- Assessing educational policy issues that are identified as barriers;
- Establishing policy baselines of current practices, procedures and strategies;
- Assisting states and institutions as they develop ways to use technology to improve quality, expand access, and reduce costs;
- Establishing trial or pilot efforts with State Partners to test new distance learning approaches or strategies;
- Promoting state-level policy changes via existing SREB organizational arrangements and agreements;
- Developing and testing agreements among institutions and states;
- Utilizing the regional platform to serve as a clearinghouse for states and institutions to discuss policy issues and concerns; and
- Measuring the implementation of policy changes in the SREB states and widely disseminating the results.

The SREB Distance Learning Policy Laboratory is supported in part by a grant from the United States Department of Education Fund for the Improvement of Postsecondary Education's (FIPSE) Learning Anytime, Anywhere Partnerships (LAAP) program. The contents of this report were developed under the grant but do not necessarily represent the policy of the Department of Education, and you should not assume endorsement by the Federal Government. Additional support has been provided by a grant from the Stranahan Foundation of Toledo, Ohio.

Stranahan Foundation

SREB

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Executive Summary

The emergence of technology and distance learning in higher education during the past decade has created for many individuals greater access and new pathways to colleges and universities. No longer is geographic proximity to a campus or one's work or family commitments a deterrent to acquiring needed skills or to pursuing a credential. As more "adult" students begin to use the convenience of distance learning and pursue study in alternative modes as part-time students, or even as non-degree "coursetakers," more of them are facing real financial burdens. These learners are often the neediest as they seek to balance work, family responsibilities and education. While billions of dollars of financial aid is made available from federal and state governments annually, little of this is available to the distance learner. Financial aid mechanisms, established over the past 40 years and designed to expand access, often limit aid for students who are not of traditional age, full-time, or learning on-campus. Structures, policies, procedures, and practice have become real barriers to getting aid to the fastest growing populations of students in U.S. higher education. The barriers, many of which are engrained in federal, state, and institutional policy, must be removed.

This report outlines and defines the problem, traces the historical record of aid programs, describes real barriers for distance learners, and suggests alternative strategies that policymakers at the federal, state, and institutional levels might consider to address financial aid issues. Also discussed are a number of alternative state approaches which might serve as models for other states. Finally, a regional financial aid "clearinghouse" concept is proposed and described in some detail.

Principles and Recommendations

The Distance Learning Policy Laboratory has adopted the following principles for financial aid to support distance learners. These principles guide the recommendations that follow.

- The broad and fundamental goal of financial aid systems at all levels is to make higher education available to all who can benefit and to remove or lessen financial hurdles to such access.
- Any financial aid system must be fair and reasonable to all learners. Financial aid policy should encompass a broader definition of "student learner" than the current traditional classifications.
- Learning is not confined to a campus setting in face-to-face classrooms or in defined blocks of time.
- Students are increasingly learning in part-time, extended, and contracted time formats; these new learning arrangements should not penalize or exclude participating learners from access to financial aid.
- Financial aid systems must become more student-centered and responsive to how, where, and when students learn.

- Appropriate accountability mechanisms to prevent fraud and abuse must be established and maintained.

Recommendation 1. Promote increased financial assistance to part-time distance learners.

Recommendation 2. Promote strategies that provide greater flexibility in financial aid for the distance learner and financial aid providers, including assessing the practicality, efficiency, and effectiveness of shifting financial aid disbursement from an institution-based process to a student-based process.

Recommendation 3. Promote and support changes in existing federal financial aid statues and regulations that are tied to time and place, specifically:

- The two "50 percent rules";
- The "12-hour rule";
- Redefining academic learning periods (standard term, nonstandard term, and non-term); and
- Allowing institutions (and thus students) to use overlapping terms, self-paced learning, short and sequential course enrollment, and multiple and rolling start-dates.

Recommendation 4. Develop procedures that permit specific distance learning expenses to be included in the cost calculations for attendance and needs.

Recommendation 5. Promote and support these changes in the upcoming Reauthorization of the Higher Education Act — and do so in as unified a voice as can be created.

Recommendation 6. Promote new state-level policies and initiatives that provide incentives to learners in disciplines/workforce areas of significant need.

Recommendation 7. Support and promote SREB's "electronic tuition rates" initiative as a means for increasing access to distance learning

Recommendation 8. Promote and expand working relationships between the state agencies and the regional accrediting bodies to ensure quality.

Recommendation 9. Evaluate the potential of a regional financial aid "clearinghouse" through SREB, which would be designed to facilitate multi-state and multi-institutional financial aid efforts.

Introduction

Higher education is the primary vehicle for the economic and social well-being of our citizenry in the South, indeed in the entire country. Evidence of this faith can be found in the increasing enrollments - now more than 14 million students - in traditional institutions for postsecondary education and many more learners are enrolled in company-run training programs and other forms of continuing education.

However, demand for higher education is far from satisfied. Currently 63 percent of high school graduates go on to college immediately upon graduation (UCEA, 2002). With high school graduation rates rising both in the South and across the country, demand is projected to increase through the 2000-2010 decade (Marks, 2001). Coupled with this growth is the increasing number of adult learners 35 years of age and older benefiting from asynchronous instruction. Over two-thirds of these adult learners study part-time and most are not eligible to receive federal or state aid (UCEA, 2002). Moreover, there is a growing concern about the ability of students to find the necessary resources to participate in higher education. With tuition and fee charges growing at a rate well above inflation rates, higher education is becoming less affordable and accessible for many individuals, especially those who would benefit most from flexible access to postsecondary education.

Complicating this problem are the mechanisms established to assist those in need and to ensure greater access: financial aid systems at the federal and state levels. These efforts are failing, as the gap between the ability of students to pay and the cost to participate is widening. Loans continue to replace grants as the primary source of student aid, according to a recent survey by the College Board. Borrowed money now represents 59 percent of all aid, as compared to 41 percent in 1980 (College Board, 2001). This trend is expected to worsen in the next few years. The recent economic downturn followed by decreased state appropriations and private donations have brought about large annual tuition increases, averaging nearly eight percent for public colleges and universities in 2001, with some projected increases for 2002 over 20 percent. (College Board, 2001; Morgan, 2002).

The challenge of paying for college is particularly acute for nontraditional students. Few part-time older students, many of whom are in need of financial assistance, are eligible to receive aid other than loans.

A picture of these students is evolving. A recent American Council on Education (ACE) report entitled *Access and Persistence* (2002) offers significant findings from a 10-year longitudinal study. Among a number of interesting findings are two of special significance:

- Students who go straight from high school to college and, after studying at their parents' expense, leave the same campus four years later with a degree are now a minority at the nation's four-year institutions.
- Three-quarters of undergraduates work; one quarter of them work full-time.

An ACE spokesperson noted, "The old notion . . . staying at the same place for four years and getting a degree is just so rare these days. We have a system that is more consumer-driven than ever before, and students are very actively moving around, picking up what they want, when they want it. Decisions are based on academic interest and convenience." (Choy, 2002).

Other data support the contention that many in distance learning have known for some time. Students are older, increasingly women and minorities, more often studying on a part-time basis, and have access to and are using the Internet for both instruction and services, and "blended learning" formats are gaining broader acceptance in some combination of traditional classroom instruction with technology-mediated learning.

This is an evolutionary period in higher education, yet policy construct and operational strategy for addressing many of the needs of distance learners are limited. This is particularly true in financial aid policy and practice.

Distance learning clearly has provided some relief for its students who save money on such items as travel to and from campus and expenses for care of dependents. Most important, they benefit from not having to resign a job and lose their source of income or completely relocate in order to pursue higher education. But actual tuition and related equipment costs for distance learning programs in fact, may, be higher than participation in on-campus courses. Computers, Internet access and "technology" fees are often added to the price of online courses. Ironically, these added expenses create problems for the students who could most benefit from online courses.

There is a new phenomenon in higher education — a growing population of learners who have been described as "very part-time" students. (Wolff, 2001). These students are working adults who squeeze time and money for education into their family and job responsibilities by taking college courses one at a time. The majority of these students are single, low-income mothers who can only afford to pursue studies on a course-by-course basis and, because of their limited enrollment, are not eligible for financial aid. In fact, while students over the age of 35 represent the fastest growing age group in higher education, only one-third of them receive financial aid (UCEA, 2002).

Even among half-time students — those registered for six or more hours in a credit-hour program and who *are* eligible for some forms of federal financial aid — the amount of available aid, the procedures for securing it, and the burden on institutions for distributing it create real barriers. Further, if a student is engaged exclusively in correspondence courses, even if on a full-time basis (12 or more hours), the student cannot be considered more than a half-time student for the purposes of Title IV financial aid programs. These factors limit the amount and types of aid these students may receive. All major federal aideis predicated on an "at least half time" basis. Aid packaging for "at least half time" students is at the discretion of the school, and at least half time students are eligible for the same maximum limits as full time.

Why does Distance Learning Challenge Current Financial Aid Structures?

The question may be a simple, but the response to it is complex. Federal and state mechanisms for financial aid, the changing nature of higher education, concerns about fraudulent practices and quality control, and an acceptance of and accommodation to a set of historical practices, contribute to the complexity. The existing "system" of financial aid has grown over a relatively short period. It involves multiple levels of government and has become central to institutional well-being and survival. Rules have been developed to protect the public interest and resources from unscrupulous academic providers and at the same time, provide both greater access to higher education and some level of equity for those seeking assistance. It has become a multi-billion dollar enterprise involving public and private interactions and has fueled much of the growth in higher education over the past 50 years. On the other hand, it has spawned generations of students, and their parents, with huge loan debt that is growing unabated.

A Context for Financial Aid Policy

For several reasons, financial aid policy in the United States, while of tremendous importance in providing access, has fallen short in meeting the needs of all citizens. Because eligibility is typically defined according to traditional standards that do not readily apply to distance learning as a mode of delivery, existing regulations exclude many learners from qualifying for assistance. Federal and state aid programs have provided millions of students over the past 60 years with marvelous opportunities for advanced education. Changing such systems, particularly when they have been so successful, is a daunting challenge. But, it is a challenge that must be addressed. As noted in the forward-thinking report of The Web-Based Education Commission, *The Power of the Internet for Learning: Moving from Promise to Practice*, released in 2000:

> *Far from creating incentives for students and institutions to experiment with new distance education methodologies offered anytime, anyplace and at any pace, the current student financial aid regulations discourage innovation.*

The Commission framed the issue well. Financial barriers that restrict access to higher education must be removed and replaced by new strategies that provide greater access to financial aid. Distribution systems need to become more flexible and ways must be found to adjust or close the ever-widening gap between cost and assistance. In short, higher education must be made more accessible and more affordable. Technology can help to achieve this objective — federal, state and private forms of financial aid, if adjusted, can ensure its success. The Financial Aid subcommittee believes this is possible and outlines in this report a set of recommendations to address these challenges.

Federal, State, Institutional and Employer-based Assistance: Complimentary and Competitive Roles in Financial Aid

Financial aid in the United States traditionally involved three primary "players" — the federal government, state government, and institutions. More recently, a fourth "player" has emerged — employers — and their role is discussed at the end of this section. Each of the players has a complimentary role and, at times, competing roles. A number of state and institution programs, for instance, are designed to "fill gaps" in federal programs that make aid available to students.

Federal Aid Programs

The primary federal role in higher education (beyond its support of research) has been to provide financial support and assistance to students. That role has been, and continues to be, driven by national need or priorities, whether defense, research, workforce preparation, or similar national interests.

While not considered a "financial aid" program when it was initiated, there is consensus that the first and most effective financial aid program was the 1945 GI Bill of Rights. The GI Bill provided financial support for thousands of veterans who would otherwise have not pursued higher education. The program had many lasting implications,-including preparing a large population, mostly young men, with higher levels of skills for an expanding national economy. It also encouraged the growth and development of public higher education system and, in particular, community colleges. Advanced education in the United States moved during this period from an elitist and heavily private system of higher education (with financial aid offered by institutions in the form of merit scholarships) to a more egalitarian one, where access to higher education for more (if not all) citizens was a goal. More importantly, these same GI's were the parents of the "baby boom" generation, who promoted the value of postsecondary education they had enjoyed because of federal support. That single bill nearly doubled the number of students involved in higher education between 1940 and 1950 and spawned the doubling of enrollments again in the 1960s.

Modern financial aid programs directed at the general student population began with the 1958 National Defense Education Act, designed to upgrade math, science, and related educational programs. Support was provided directly to colleges and universities who could then make "national defense education loans" to students. The current system of federal aid traces its development to the Higher Education Act of 1965, legislation passed during a period of dramatic growth in college attendance. Many recognize this period as the "golden age" of higher education, as the "baby boom" generation of post-World War II families invaded college campuses.

In subsequent years, Congress enacted amendments to the Higher Education Act of 1965, which produced a number of the programs that, in one form or another, remain in existence, including the Pell Program (originally called the Basic Education Opportunity Grants in the

1972 Amendments and later, in 1978, the Middle Income Student Assistance Act). Over the past 20 years numerous programs have been enacted that have altered financial aid delivery, including new loan, tax credit, and educational savings programs. Despite these continuing investments in higher education, there is a clear shift in federal support to a loan-based program.

In 2000-2001, federal aid had increased to over $74 billion, a record amount (nearly double the amount provided a decade earlier), but the dollars also shifted to approximately 60/40 percent loans (College Board, 2001). Still, the federal government's financial aid investment represents about one percent of total spending in the United States.

State Aid Programs

Prior to the federal efforts in the 1950s, few states had financial aid programs beyond those that made educational access available at reduced rates for in-state residents. Not until the federal Higher Education Amendments of 1972 was there much incentive for developing state aid programs. That legislation provided federal matching grants for states that established state incentive-grant programs. The legislation was effective: most states now have in place state financial aid programs that generally follow and adhere to the policies and structures of the federal aid system. More important, it stimulated many states to go well beyond their "match" and to assume an ever greater responsibility for funding students directly.

States now provide aid for a variety of purposes beyond those of the federal system, including need-based programs and a growing number of programs for academically talented students. Georgia's HOPE scholarship, established in 1993 is one example of a program designed to both reward talented students and to keep the state's brightest at home. The merit-based program has been successful and has been replicated in a number of SREB states. The list includes:

- Florida (Bright Futures Scholarships)
- Kentucky (Educational Excellence Scholarship)
- Louisiana (Tuition Opportunity Program for Students)
- Maryland (Science and Technology Scholarship Program)
- Mississippi (Eminent Scholars Program)
- South Carolina (Palmetto Scholarships and Legislative Incentives for Future Excellence Scholarships)
- Texas (T.E.X.A.S. Grant, a hybrid merit and need-based program – toward Excellence and Scholarship)
- West Virginia (Providing Real Opportunities for Maximizing In-State Student Excellence) [1]

[1] Compiled from reports by SREB and the Civil Rights Project, Harvard University.

Keeping in step with the federal changes over the past 20 years (the shift from grants and scholarships to loans), most states have established loan authorities and loan "servicer" organizations or agencies to facilitate state programs.[2]

Institutional Aid Programs

Prior to the introduction of federal and state financial aid programs in the latter half of the 20th century, institutional aid programs were the primary vehicle providing assistance to students. Typically, these were scholarships and grants for learners with special talents or those demonstrating high academic achievement. Many colleges and universities aided students by providing information about and access to competitive grants from private sources, including local, state, and national foundations, civic organizations, and business and industry. Today, many private institutions use "scholarships" that are only loosely connected to need as a form of tuition discounting available to a wide spectrum of students. While institutionally based scholarships remain an important factor in the overall aid picture, most focus is on traditional students who are engaged in full-time study.

A growing number of states, including a number of SREB states, have sought to use scholarships and grants to encourage students to enroll in areas of critical needs. A current example is in elementary and secondary education, where communities in many states are facing crises in filling teacher vacancies. These programs, typically available only for state residents and for study at in-state colleges and universities, often "forgive" the grant recipient if they enter and stay in the teaching profession in the state for a specified period of time.

Employer-Based Aid

Over the past decade employer-financed education has emerged as the trend toward more mobility in learning has grown. Initially offerings came through branch campuses and off-campus centers but more recently, delivery has been via various technologies ranging from satellite to the Web. Employer-supported education is often focused on specific skills applicable to the job rather than broader degree goals of the individual, although many employers support both.

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[2] The programs provide income tax breaks for students and their families and include the Hope Scholarship Tax Credit, available to students studying at least half-time in the first two years of an undergraduate program for educational expenses up to $1500 annually not covered by other forms of financial aid; the Lifetime Learning Tax Credit that, like the Hope, provides a tax credit of up to $1,000 annually for educational expenses but applies to all levels, including graduate study within an adjusted gross annual income; the Coverdell Education Savings Account, an educational IRA program; a variety of state-based pre-paid tuition and savings plans; and "529" state investment programs (both pre-paid and savings programs) that provide significant tax advantages (for a useful chart listing all state programs, visit www.nasfaa.org/PDFs/2002/csp0202.pdf)

The changing nature of work results in outdated skills. Employers who recognize that human resource development is the key to competitive advantage are more likely to support tuition reimbursement. Some find it is often easier and less expensive to outsource the training to a college or university and subsidize worker (student) participation in these programs. Data show that rather than losing them once they complete certificate and degree programs, employees are actually more likely to stay with the company that subsidizes their education. An organization saves money by reducing turnover, not having to invest in the development of curriculum, and by focusing on workplace skills related to performance goals.

With more companies interested in recruiting and retaining their workforce, more are enticing employees to pursue part-time studies while working. Companies have spent huge sums of money supporting their employees who secure certification in various occupations through IT networks and systems. While not financial aid in the traditional sense as part of work compensation packages, employers invest in employees by providing support for the entire cost of tuition and fees or perhaps a percentage of the costs based on factors such as grades earned. Employer-based support continues to grow, effectively making higher education a "no-cost" or "low-cost" fringe benefit for some employees. Another powerful tool to support employer based efforts is the "Section 127" allowance in the IRS code, made permanent in 2001, which allows public and private employers to provide each employee with unlimited support for undergraduate study and up to $5,250 per year for graduate study in tax-free reimbursement for educational expenses.

Real Barriers to Financial Aid for the Distance Learner: Procedural and Regulatory Challenges

Fundamental to the federal role are a set of well-intentioned rules that have become ingrained in the financial aid system and have been incorporated into state financial aid systems. The rules focus on traditional students at traditional campuses that are engaged in traditional instructional delivery. Any deviation from these rules reduces dramatically, and sometimes eliminates a student's eligibility for aid. Thus, a current problem is that having in place a "well-oiled" system which was designed for what is now the minority of college students rather than serving a new student majority that is growing at a rate significantly higher than the traditional-aged population. The system must change from one that focuses on the institution to one that is directed to the student.

For the growing number of distance learning students seeking federal financial aid the basic requirements for eligibility constitute an initial set of hurdles.[3] The distance learning student may be enrolled in an institution but not pursuing a degree or certificate, or may be

[3] Generally, these are a high school diploma or equivalent, admission to and enrollment in an eligible program and making satisfactory progress toward a certificate or degree. Students may need to show financial need for some grant programs or for work-study aid programs, but not for unsubsidized student loans. Subsidized Stafford loans, which are need-based, still comprise the majority of federal loans made to students.

enrolled simultaneously in courses from multiple institutions, or simply may not qualify because of the mode of delivery. Indeed, aid is not available for part-time students carrying less than six credit hours per semester. Even private sector alternative loans often are restricted if the student is not enrolled on at least this half-time basis. Further, because distance learners may be simultaneously enrolled in multiple institutions within the same or in different state systems, the practical disbursement of aid and determination of administrative responsibility among institutions is difficult to define and manage. (A consortial agreement among a set of participating institutions would allow these roles to be more clearly defined and established.) Thus, the problem that the neediest students find aid phenomenally limited and participation in financial aid programs quite challenging and next to impossible.

Beyond these initial hurdles are three regulatory challenges that have emerged as the target of distance learning proponents in the current Title IV regulatory scheme.

1) The 50 Percent Rules

   Institutional eligibility rules require that to retain Title IV aid eligibility, an institution may offer no more than 50 percent of its courses outside a traditional classroom setting nor have more than 50 percent of its total student body enrolled in courses, or even one course, delivered outside the traditional classroom setting. The rule, in effect, disqualifies institutions that primarily deliver instruction using distance learning and limits even traditional institutions that have large participation in distance learning offerings. Regardless of the intent of these rules, the impact on emerging institutions is clear. Further, the measuring and reporting of enrollments along these categories is problematic.

2) The 12-Hour Rule

   Often referred to as the "seat time" rule, this rule attempts to define a week of instruction for the purpose of institutional eligibility as requiring a minimum of 12 hours of "seat time." The rule applies to nonstandard and non-term programs, a desired format for many distance learning programs. For a growing number of institutions and many more students, this "seat time" requirement flies in the face of many new learning arrangements that use asynchronous technology as a delivery vehicle. In August 2002, the U.S. Department of Education announced that it was proposing to replace the 12-hour rule with the existing "one day a week of instructional activity" rule that is applied to standard academic terms. This change would align the rule for nonstandard and non-term based programs with the existing rule for standard academic terms (for example, semester, quarter and trimester formats), effectively removing the current barrier for many distance learning activities. The new rule should be announced in November 2002, and while it will not solve all the difficulties, it should have a positive and immediate impact on learners at institutions delivering alternative programs.

3) Time/Term Structures

Owing in some measure to the rules noted above, institutions must classify learning activities into one of three term structures — *standard* (semester, quarter, trimester), *nonstandard* (mini-term and "mid-mesters"), and *non-term*. While most institutions deliver instruction in a standard or nonstandard format, a growing number of institutions, in part driven by student demand for "anytime" learning, seek to develop "non-term" learning formats, including multiple start and end dates, overlapping terms and self-paced learning.

Other rules and requirements further inhibit innovation in delivering programming and serving students using technology. These include the requirement to track and report a student's progress to ensure continued eligibility for aid, the inability to combine enrollment between two terms, the requirement to disburse aid based on earned credits rather than attempted credits, and a myriad of other requirements. Institutions, to their credit, have established systems and processes to maintain compliance with the rules and, for the most part, are quite adept at dealing with these challenges. Still, for a growing number of institutions, and particularly new "distance learning" institutions, the rules are a real barrier and, it could be argued, do not reflect the emerging higher education environment.

Another challenge is the inability to use "competency" approaches to measure learning in lieu of seat time. A growing number of institutions would like to move to a model that measures content mastery (competency) and not time spent in learning activities. This approach is particularly attractive in distance learning, given its flexible learning patterns that generally are not oriented to time.

It is ironic that most students are completely unaware of these rules, which generally place a burden on colleges and universities and not directly on learners. Still, development of and access to distance learning and to financial assistance for these learners is a direct result of the current regulatory environment. While the intent of the rules and regulations — to protect against fraud and abuse — are worthy objectives, the current system captures in the net not only those who operate illegally, but those who wish to operate in different delivery modes, different time frames, and with different kinds of students. By most estimates the 1992 Reauthorization reversed the upward trend of abuses reported in the 1980s and early 1990s. The system needs to be changed in fundamental ways to respond to the needs of new populations of students with genuine educational needs and goals.

Designing a Financial Aid System for New Structures and Learners

The past decade has witnessed the emergence of a variety of new educational organizations, entities, and educational consortia designed to expand distance learning programs and services. Virtual colleges and universities (for example, Kentucky Virtual University),

statewide/system virtual campuses (for example, Georgia G.L.O.B.E.), and regional initiatives (for example, SREB's *Electronic Campus*) now populate SREB states. Similar ventures can be found across the country. (For a complete list of state virtual initiatives in the SREB region, see Appendix A.) Typically these virtual campuses and consorti for distance learning do not offer degrees or courses but, rather, coordinate, deliver, or provide outsource support services of various types to increase access and support for learners.

One area of support that is missing in most of these new organizations is financial aid. These structures could ease the way to financial aid for students engaged in distance learning, and particularly those enrolled simultaneously in more than one institution. However, current federal and state policies do not permit entities that do not have degree-granting authority to centrally administer financial aid. These new structures can be used more effectively.

There is growing awareness of the lack of "fit" between the financial aid system and policies and the changing profile of learners, due primarily to the growth of distance learning in American higher education. This was eloquently stated in the recommendations of the Web-based Education Commission report, which focused heavily on efforts to ensure the full development of the Web in education, to remove existing barriers for learners, and to refocus policies around the needs of the student/learner. The report is a significant step forward and the subcommittee encourages that the Commission's recommendations be heeded and acted upon. Indeed, in one form or another, the Financial Aid subcommittee's recommendations that follow either support, encourage, or build upon many of the recommendations from that report.

Some of the elements of a revitalized financial aid system for the new learning environment may actually be within our grasp. The 1998 Amendments to the Higher Education Act established the Distance Education Demonstration Programs. (See www.ed.gov/legislation/HEA/sec488.html.) This initiative was established to consider changes in current policy and to permit "experiments" in financial aid procedures by allowing waivers of various rules, including the 50 percent rules and selected statutory requirements. The program, now in its fourth year, has provided, by most reports, a "mixed bag" of results, as documented in the Department of Education's first report to Congress in January 2001 and a subsequent report in July 2001. Still, the institutional participants were afforded some opportunities to "work around" a number of existing policy barriers. There are lessons to be learned from the program. Unfortunately, the program has not provided an opportunity to determine if the changes in policy and procedure can be accomplished readily. The size and scope of the experiments, the limited waivers, the onerous data collection/reporting requirements, and the current lack of software to implement changes impede full progress. Still, we glean from the effort the following:

- There is a clear need for policy change to follow the changing nature of learning.
- There are significant problems with definitions (for example, defining distance learning as correspondence instruction.) Indeed, distance learning is not defined in

the regulations, but is linked to "correspondence/telecommunications" activities in the 50 percent rules.

- Rules relating to time in study, and particularly "seat time," do not fit with new learning arrangements.
- A student-based model for administering financial aid should be thoughtfully considered.

These assessments are positive steps, but additional work is necessary to address the needs of part-time students without a home institution who are at the lowest income levels, and who can benefit more directly from financial aid. It is essential to discover alternative structures that can facilitate delivery of financial aid.

In addition, financial aid changes at the local, state, and federal level can expand educational opportunities by revising or creating new need-based financial aid regulations for part-time students.

Alternative Strategies for Making Aid Available

Changes in federal financial aid will help, but states should also consider new initiatives for tax incentives that encourage employers to expand and extend their tuition reimbursement programs. One alternative to existing financial aid structures is direct state financial support for workforce development. Most SREB states are pursuing such initiatives, many outside traditional financial aid structures. One effort of note is Delaware's Workforce Development Grant program, supported by the State's Blue Collar Training Act, for non-traditional students registered for fewer than 12 credits and employed by a small business (100 or fewer employees). In addition, the state is extending aid to students who are going to be exclusively distance learners in a cooperative effort between the economic development office and a technical college.

A model that holds promise is Vermont's unique "Non-Degree Grant" program that provides direct state financial aid to Vermont residents to cover tuition and fee costs. Coursework can be taken from a variety of course providers, including colleges and universities, technical centers, private training organizations, and high schools. Support is provided for coursework designed to improve employment skills or to be a "stepping stone" to pursuing a degree. (Vermont Student Assistance Corporation, 2001) Unlike other federal and state programs which require a student to be formally admitted and enrolled in a degree program and making "satisfactory progress," this program invests state dollars in citizens to "kick start" their educational efforts. This initiative, part of a broader effort by that state to support adult learners, is commendable.

Another approach is for states to offer incentives such as tax credits to employers to encourage and support employee educational initiatives. Education is good for individuals and for business. Distance learning has the added benefit of allowing workers to better

balance work, family, and educational responsibilities and may permit them to stay on the job while pursuing their studies. The broader community and social benefits offer real value as well. Research indicates that individuals with more education are more apt to vote, are less likely to be incarcerated, are more likely to volunteer, and contribute more to the tax base. The investment made is returned in multiple ways. Further, incentives to participate in distance learning will support learning skills directly related to the work environment. While many older students are leery of, and at times intimidated by, the online environment, research is suggesting that these same students are being empowered by gaining familiarity with technology, which is having a positive effect on job performance.

Finally, the Colorado Student Loan Program (CSLP) proposed a student loan disbursement program via credit cards to allow borrowers to access loan proceeds in a "just-in-time" disbursement method. (Colorado Student Loan Program, 2000) A "student loan debit card" might be ideal for the e-learner, making it convenient for them, colleges and universities, and government entities. This approach would provide greater student flexibility and could remove a number of troublesome and time-consuming disbursement efforts for institutions. While an appropriate infrastructure and safeguards will need to be developed, this creative strategy holds further promise for moving aid distribution to a more student-centered approach.

Recommendations

The following recommendations are offered to spur discussion and action at the federal and state levels, to inform and call attention to policymakers, institutions in the South, and the Southern Regional Education Board of the need for change in existing financial aid structures and for careful consideration of creative initiatives that build on cooperative, multi-state efforts.

Recommendation 1. Promote increased financial assistance to part-time distance learners.

Fundamental to and setting the context for the recommendations that follow is the need to promote policies that increase access to existing financial aid opportunities. An overall increase in funding for financial aid programs at both the federal and state levels is needed and would be welcomed. Efforts to expand financial aid to part-timer learners, particularly those enrolled in fewer than six credit hours in any given academic term, need to be devised through adjustments in existing policies. There is ample evidence that more students are engaging in part-time learning and are doing so through distance learning. The subcommittee suggests a critical review of Vermont's "Non-Degree Grant" program to determine whether a similar program can be scaled to more populous states and/or to a regional level. This is a financial aid "investment" that will pay dividends in a variety of ways - greater worker productivity, greater contributions to local, state, and federal tax bases, and reduction in unemployment compensation.

Recommendation 2. Promote strategies that provide greater flexibility in financial aid for the distance learner and financial aid providers, including assessing the practicality, efficiency, and effectiveness of shifting financial aid disbursement from an institution-based process to a student-based process.

The subcommittee believes any changes in financial aid systems should:

1. Encourage student choice at a program level, not an institutional level;
2. Establish a system of "borderless" exchange; and
3. Provide access to aid beyond traditional on-campus programs and activities.

The idea of distributing aid directly to the student could, in our view, simplify the aid process and address the challenges and problems relating to time, cost of education and other related issues. Appropriate oversight mechanisms can and must be developed to protect against fraudulent practices and the problems associated with tracking progress and the use of aid proceeds.

While a number of special considerations or waivers might be required under the current federal regulations, a financial aid "debit card" modeled after the Colorado Student Loan Program's "Pepper" project holds real promise. The subcommittee suggests that this proposal be studied and considered for regional deployment as part of the regional financial aid initiative proposed below.

Recommendation 3. Promote and support changes in existing federal financial aid statues and regulations that are tied to time and place, specifically:

- *The Two "50 percent rules";*
- *The "12-hour rule";*
- *Redefining academic learning periods (standard term, nonstandard term, and non-term); and*
- *Allowing institutions (and thus students) to use overlapping terms, self-paced learning, short and sequential course enrollment, and multiple and rolling start-dates.*

Progress on changing the current federal financial aid structure to accommodate distance learning cannot be fully achieved until the rules and procedures listed above have been either eliminated or amended. Suggestions for other changes in policy include:

- Eliminate the requirement that students must be enrolled at least half time in a degree-seeking program, thus opening the door to aid for professional development and certain skills-based instruction.
- Eliminate any distinction based on delivery modality, including "correspondence" and "distance learning."

- Develop a concept of "average completion time" for preparation and study for distance learning, just as is done for traditional students. (This must be accomplished based upon experiences gained and descriptions of student performance in innovatively designed and delivered credit coursework.)
- Establish student engagement in learning activities, and not seat time, as a measure of progress.
- Encourage and make better use of evolving strategies for a borrower-based academic year using "just in time" disbursement regulations rather than those that apply to the traditional term base.

Recommendation 4. Develop procedures that permit specific distance learning expenses to be included in the calculations of cost for attendance and needs.

The subcommittee feels strongly that this recommendation should be pursued vigorously and immediately as a means to equalize or balance costs associated with distance learning. This action can be accomplished quickly, as has been shown by some of the participants in the Distance Learning Demonstration Project and should be more broadly enacted. Bringing this "to scale" would send a positive note to both distance learning providers and to learners and would recognize that legitimate real costs associated with distance learning and other non-traditional classroom learning should be part of any needs analysis.

Recommendation 5. Promote and support these changes in the upcoming Reauthorization of the Higher Education Act — and do so in as unified a voice as can be created.

The upcoming Reauthorization of the Higher Education Act, not eligible to occur until 2003, represents a critical juncture and a real target for the broader higher education community and to those promoting distance learning to secure fundamental reform in the current financial aid framework and policies. The results of this Reauthorization may prove to be the most significant in the relatively young history of distance learning. The results of the new Act either will demonstrate a realization of and recognition for how learning is changing or will support the status quo. We encourage educational leadership at the national, regional, state and professional organization levels to inform the debate. The Financial Aid subcommittee encourages SREB to facilitate pilot efforts, in particular to act on the DLPL recommendation to develop and seek support for a regional "clearinghouse."

Recommendation 6. Promote new state level policies and initiatives that provide incentives to learners in disciplines/workforce areas of significant need.

States have opportunities to assist their citizens in acquiring learning and skills that meet specific and targeted needs in the workforce and can do so by using technology to reach remote and underserved learners. As suggested in an earlier Policy Laboratory report (2001) providing "universal access" to technology can serve as a complement to existing state systems and while the South is not near to achieving this goal, many SREB states are moving toward the establishment of a ubiquitous "network." Targeting support to assist those

learners, through direct financial grants, loans, tax credits, or other means educational incentives to and reduce costs to learners are viable supplements to more traditional financial aid. Further, states can use workforce development agencies/offices and work with local communities to address severe shortages in the labor force by direct assistance or creative subsidies. Grants that are "forgiven" for students who work in targeted disciplines or specific job categories should be expanded. Further, a sharing arrangement across the region that allows placement in other participating SREB states should be considered.

Recommendation 7. Support and promote SREB's "electronic tuition rates" initiative as a means for increasing access to distance learning.

While not directly a financial aid initiative, SREB's efforts promoting the adoption of an across-the-region "electronic tuition rates" policy can help make accessing distance learning courses and programs more affordable. The concept is a simple one — encourage changes in state policy permitting colleges and universities to price offerings at "market rates" and eliminating the requirement that non-residents be charged a different, and always higher rate. SREB believes that reducing out-of-state pricing barrier to more learning opportunities will increase access for students, will open up markets for colleges and universities leading to greater use of capacity thus generating additional revenues, and will reduce costly course duplication for states. Some states, most recently Georgia and earlier Virginia, have developed policies in support of electronic tuition rates. The subcommittee encourages other states to consider similar actions to remove in-state/out-of-state pricing differences and to make distance learning more affordable.

Recommendation 8. Promote and expand working relationships between the state agencies and the regional accrediting bodies to ensure quality.

While this recommendation is not directly a financial aid initiative, there is ample evidence that many of the cumbersome financial aid regulations are attempts to ensure that students are receiving a quality education and are not wasting federal and state money. The burden of responsibility for ensuring institutional quality is carried by state regulatory requirements, such as chartering, licensing, and approval processes, and by regional and some national accrediting bodies that grant accreditation. For financial aid purposes, securing regional accreditation, even though it is a voluntary process is fundamental to participating in federal Title IV financial aid programs. Thus, state and other accrediting efforts are central to the current, and one would believe future, financial aid structures. New strategies for ensuring, measuring and monitoring quality, beyond time-worn "seat time" measures are needed. The Financial Aid subcommittee calls on SREB to promote efforts to bring together state and regional accrediting bodies (three of the six regional bodies operate in the 16 SREB states) to consider new measures and baselines that might help to ensure quality as part of the financial aid system.

Recommendation 9. Evaluate the potential of a regional financial aid "clearinghouse" through SREB, which would be designed to facilitate multi-state and multi-institutional financial aid efforts. A description of the clearinghouse concept is provided below.

The clearinghouse concept could address a number of issues that are emerging in distance learning and could lift the burden from individual institutions in administering aid and ensuring compliance, particularly for students enrolled in multiple institutions simultaneously. Such a clearinghouse could:

1. Serve as a pivot point and broker for participating colleges and universities to handle a variety of inter-institutional processes, including:

   - Establishing regional agreements for the acceptance of student credit hours and the certification of aid and deferments;
   - Articulating credit from coursework completed from multiple institutions;
   - Conducting centralized tracking for collecting and reporting data on financial aid;
   - Effecting standard practices for handling different institutional calendars, overlapping loan periods, student withdrawals, and related issues; and
   - Establishing mechanisms for monitoring student performance and academic progress.

2. Develop strategies for providing greater flexibility in financial aid for the distance learner and financial aid providers. For example, the clearinghouse might establish strategies with participating institutions for:

   - Establishing "average" distance learning course completion times for various types of nontraditional terms which, in place of traditional academic calendars, can be used to assess satisfactory progress;
   - Ensuring that each student is enrolled at least half time in a degree program, even if the course activity is from multiple institutions;
   - Establishing verification procedures on students' costs and the distribution of aid; and
   - Developing strategies/proposals that expand the use of for a borrower-based academic year using "just in time" disbursement regulations rather than those that apply to the traditional term-based year. A regional "debit card" could be part of this effort.

3. Assess the benefits of a regional, multi-state approach to supporting institutional financial aid disbursement for students engaged in courses from multiple institutions via multiple delivery mechanisms. This trend will increase as more students seek and have greater choices in learning opportunities, that is, how, what, and when learning is accessed.

Many of the financial aid rules related to distance learning affect federal aid eligibility at an institutional, rather than student, level. Because for many colleges and universities certain federal Title IV aid programs (Pell grants and student loans) form the bulk of an institution's student financial aid volume, these Title IV programs constitute a critical financial lifeline.

Furthermore, some state-based programs make the institution's federal Title IV eligibility status a condition for state aid eligibility. In the current regulatory environment, colleges and universities are understandably apprehensive about expanding their distance learning offerings, especially when the introduction of a single popular distance learning course could run afoul of a 50 percent rule and imperil the eligibility of the school's entire Title IV and associated state-based aid.

For these reasons, many in the financial aid and distance learning communities are seeking resolutions that reconcile an institution's need for financial aid access with its desire to expand program offerings to reach a larger audience of learners.

There are plausible solutions which could be incorporated in the context of today's financial aid regulations that could reduce both taxpayer and institutional risk, while simultaneously accommodating evolving distance learning arrangements and providing a high level of service to distance learners. One such solution is to establish of a regional "test bed" clearinghouse initially that would and ultimately become a national source for data on distance learning financial aid. To foster debate and to move the concept forward, the subcommittee provides a more detailed outline for such a clearinghouse in Appendix B to this report.

One set of rules that will be very difficult to implement in the evolving multiple institution distance learning environment is cohort default rate. It would be a shame if institutional eligibility rules like cohort default rate would inhibit the development of the clearinghouse concept. While the solution to this and related issues must have its basis in policy reform, the clearinghouse could assist federal regulators in ensuring educational quality by compiling statistics on distance learners for its participating colleges and universities. One possible solution to the cohort issue could be: Once a student completes his or her education, the degree-granting institution could be considered the "home school" for cohort purposes. Alternatively, a cohort calculation based on total dollars disbursed per institution or on the number of loans certified by participating colleges and universities could replace the current formula. Further, by eliminating the de facto one-to-one student/institution relationship, the proposed approach would better reflect today's learning environment. For student's who fail to complete their course of study, the institution that provided the largest number of course hours attempted or was designated as the degree granting institution could be considered the home college or university for cohort purposes.

A Concluding Word

In these times during which sharp tuition and fee increases are becoming a regular part of higher education in the United States, the ability to maintain access and affordability to the resources of our colleges and universities becomes even more challenging. Our financial aid systems will be hard-pressed to continue to "level the playing field" in the years ahead. More students, and their families, will be faced with difficult decisions and, as the record indicates, many will enroll in our colleges and universities and incur significant debt. Distance

learning can provide another vehicle to ensure access and *may* provide some relief from high costs associated with attendance at traditional campuses. For many working adult learners who are pursuing higher education on a part-time basis, distance learning, coupled with access to financial aid, even in small "doses," can make a difference in whether they can attend achieve their goals.

Now is the time for creative strategies and bold initiatives to "adjust" the existing financial aid systems. Our efforts should lead to a system that is more student friendly, extends, indeed encourages, access to resources for "nontraditional" learners, and supports the growing use of technology for providing higher education. We must encourage the development of state and private sector initiatives that address specific workforce needs and permit more citizens to acquire needed education and training.

The Southern Regional Education Board is in a unique position to foster such developments and to use its connections with state executive, legislative, and educational leaders to promote change. We trust that the recommendations in this report will be a call to the SREB states to develop innovative models that can keep access to higher education a realistic goal. More important, we believe that SREB's efforts to move policy forward is critical to assisting in desirable, and inevitable, cultural change.

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Appendix A
State Virtual Campuses and Distance Learning Consortia in the SREB Region

The following virtual campuses and distance learning consortia have been established in the SREB region:

Alabama Distance Learning Consortium
http:// www.alalearn.com

ACCESS Arkansas
http://www.access-ar.org/index.html

Delaware Valley Distance Learning Consortium
http://whyy.org/dvdlc/dvdlcindex.html

Florida Community College Distance Learning Consortium
http://www.distancelearn.org

Florida Virtual Campus
http://www.floridavirtualcampus.org

Georgia Learning Online for Business and Education (G.L.O.B.E.)
http://www.georgiaglobe.org

Georgia Virtual Technical College
http://www.gvtc.org

Kentucky Virtual University
http://www.kyvu.org

Louisiana Board of Regents Electronic Campus (BOREC)
http://epscor.phys.lsu.edu/lasrec/student.htm

MarylandOnline
http://www.marylandonline.org

Mississippi Virtual Community College
http://www.msvcc.org

University of North Carolina System
http://www.northcarolina.edu/students

North Carolina Virtual Learning Community
http://www.ncccs.cc.nc.us/distance_learning

Online College of Oklahoma
http://www.okcollegeonline.org

South Carolina Partnership for Distance Learning
http://www.sc-partnership.org/index.html

Tennessee Board of Regents' Regents Online Degree Programs (RODP)
http://www.tn.regentsdegrees.org

Texas Distance Education
http://www.texasdistanceeducation.com

UT Telecampus
http://www.telecampus.utsystem.edu

Virtual College of Texas
http://www.tacc.org/virtual.html

Electronic Campus of Virginia
http://www.vacec.bev.net

Appendix B

A Description of the Structure and Various Elements of the Regional Clearinghouse

Clearinghouse Structure

The clearinghouse would be a multiple-institution financial aid "office" that would perform a number of the typical functions of a traditional financial aid office, but would be designed to serve the unique needs of distance learners. The clearinghouse would function in much the same way as a college or university's on-campus facility, except that the clearinghouse would be authorized to perform financial aid functions on behalf of more than one institution. The clearinghouse could be either a centralized physical facility with dedicated staff or it could take the form of a "virtual" financial aid office with a staff that accesses student information from its home campus and is staffed by member colleges and universities on a rotating, volunteer, or some other basis. A single consolidated facility with a dedicated staff would be the most effective arrangement since learning curve issues would be centralized and staff could more readily share information and lessons learned.

The reduced administrative burden on participating colleges and universities, coupled with the diminished anxiety associated with enrolling distance learners in today's complex financial aid landscape, would more than offset any costs incurred in establishing and maintaining the clearinghouse and could conceivably lead to an increase in distance learning enrollment.

There are no obvious technical barriers to the creation of a distance learning financial aid clearinghouse. The clearinghouse concept could be fully realized using technology that is available today. Indeed the proposed Ways In™ initiative could be used to strengthen a number of services and provide a technical infrastructure for the clearinghouse. The primary obstacles to the creation of a clearinghouse are matters of cooperation, policy, and resolve.

Institutional participation with the clearinghouse could be a relatively painless affair. Most colleges and universities use popular, commercially available financial aid management systems (FAMS) that are provided by just a few vendors (for example, SCT Banner™ and PeopleSoft™). To participate in the clearinghouse data mapping to the more popular FAMS would need to be performed only once for each "brand" of system for colleges and universities using that system. If the colleges and universities to be served by the clearinghouse could agree on common naming protocols with standardized data tags, any school with a commercially available FAMS, with relative ease could, "plug and play" into the distributed clearinghouse network across multiple (and previously incompatible) technology platforms.

Colleges and universities with "homegrown" FAMS would need to data map and program individually, but once such mapping was performed, those institutions could easily participate with the clearinghouse. In this model, colleges and universities would continue to "own" their data, with the clearinghouse merely having "read-only" access to that data.

Further, the same technologies that facilitate the delivery of web-based instruction can be effectively employed to address some of the more significant financial aid barriers faced by today's distance learning providers and distance learners. Using available Internet technologies, such as JAVA, Extensible Markup Language (XML), and Simple Object Access Protocol (SOAP), college and university financial aid systems could readily "talk to each other," creating a "virtually" distributed financial aid network that could make the clearinghouse concept practical. Once in place, this distributed financial aid network (clearinghouse network) would give financial aid professionals real-time access to student financial aid and enrollment data housed on the database(s) of any of the participating clearinghouse colleges and universities.

Armed with such data, the clearinghouse staff could provide informed advice regarding a distance learner's aid eligibility and, if given appropriate authority through participation agreements and in accordance with applicable rules, could certify aid for distance learners for any of the participating colleges and universities. The clearinghouse would be aware of each state's available aid programs, each school's participation in those (as well as the federal) programs, and each school's packaging policies and philosophies. For students simultaneously enrolled at multiple institutions, the clearinghouse could maintain all elements of student aid eligibility that would otherwise be difficult, if not impossible, for a single school to track, including:

- Cumulative transcripts,
- Annual and aggregate federal loan limits,
- Effective grade level, and
- Satisfactory progress.

Clearinghouse Activities

The creation of a clearinghouse could effectively mitigate much of the financial risk incurred providing distance learning colleges and universities with student-level enrollment management and a tracking mechanism for distance learners. A clearinghouse could also provide solutions to several practical issues associated with delivery of aid to individual learners, while keeping colleges and universities in control of certifying aid eligibility and delivering funds. This would be especially useful in situations in which students select their school(s) at the course level, and may be enrolled less than half time at any one school, but greater than half-time when enrollment among multiple colleges and universities is aggregated.

In addition to certifying aid eligibility for distance learners enrolled simultaneously at multiple colleges and universities, the clearinghouse could coordinate the delivery of aid to distance learning students. Aid that is intended for institutional charges could be certified based on direct costs for those courses at those colleges and universities and delivered directly to the appropriate colleges and universities. Payment periods could be determined based on "average completion times" for such coursework, the completion of predetermined educational milestones, or some other acceptable method. Indeed, the clearinghouse could serve as an excellent research resource for gathering information on average completion times and other important measures for distance learners.

Indirect aid, specifically aid used for living expenses should a distance learning institution wish to include such aid, could be certified for a period that conceivably would include "overlap" between different institutions. The clearinghouse's ability to make each institution aware of a student's enrollment at other colleges and universities reduces the possibility of a student "double dipping" in an environment where overlapping payments could be permitted, all without incurring any additional risk to financial aid programs. The clearinghouse could schedule any number of disbursements consistent with participating school policy. In this way, smaller and more frequent disbursements could be made, possibly increasing student retention by eliminating the up-front receipt of a large amount of aid that the student might spend before the end of the payment period. This could become increasingly important in a future in which colleges and universities are less likely to have face-to-face interaction with their students. Self-paced courses could pose less risk to aid programs, in since satisfactory progress could be measured at shorter intervals, even before each disbursement if desired.

Financial aid certified through the clearinghouse could be delivered through any of the existing mechanisms. Making use of the Department of Education's Common Origination and Disbursement system would provide a particularly efficient solution to participating colleges and universities; the clearinghouse could employ a single delivery mechanism to deliver different types of aid to multiple colleges and universities simultaneously for a single student. The clearinghouse could deliver funds to cover indirect expenses to a student's individual restricted account, personal bank account, or by check, at the discretion of the student and participating institution and in accordance with future policies developed in light of the distributed network model. Through a Web-based, password-protected "portal," the clearinghouse could also provide daily payment detail and other school reports that aid in reconciliation and administration of financial aid to participating colleges and universities which could print the reports locally.

With the clearinghouse tracking enrollment, a student would be less constrained from assembling his or her own individualized learning program — taking different courses from different colleges and universities on a schedule convenient to the student. The following are just a few of the potential benefits:

- Flexible, borrower-based academic years could be employed across several different colleges and universities;
- Student requests for financial aid could be certified on an "as needed, just-in-time" basis;
- Satisfactory academic progress could be tracked across multiple colleges and universities; and
- Overlapping payment periods at different colleges and universities (if permitted) could be viewed in the context of a student's total enrollment, facilitating the use of financial aid in self-paced distance learning programs.

The clearinghouse would be able to monitor the distance learning enrollment at any member college and university in relation to that institution's total enrollment, and inform all members if the distance/on-campus student ratios approached the statutory 50 percent limit. Membership in the clearinghouse could be managed by written agreements. If permitted by the regulatory authorities, membership/participation in the clearinghouse could be considered the equivalent of executing consortial agreements among participating clearinghouse colleges and universities. Colleges and universities could decide with which other schools they would be agreeable to "sharing" financial aid (presumably the same colleges and universities with which they share articulation agreements) and a relational table could be developed and maintained by the clearinghouse to track those relationships. The clearinghouse could readily track and isolate distance learner cohorts for reporting and analysis purposes. By giving policymakers the ability to compare distance learner cohorts with their traditional counterparts, the clearinghouse could make a major contribution to informed policy development and easily handle tracking of results-based outcomes.

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